

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF PROPOSED CHANGES)	CASE NO. AVU-E-00-6
AND ADJUSTMENTS TO THE POWER COST)	
ADJUSTMENT (PCA) METHODOLOGY OF)	NOTICE OF MODIFIED
AVISTA CORPORATION (REFERENCE)	PROCEDURE
ORDER NO. 28402).)	
)	NOTICE OF COMMENT/
)	PROTEST DEADLINE
)	
)	ORDER NO. 28582

The Idaho Public Utilities Commission (Commission) in Order No. 28402 in Case No. AVU-E-00-2, directed that a new docket (Case No. AVU-E-00-6) be established to examine proposed changes and adjustments to the Power Cost Adjustment Methodology of Avista Corporation dba Avista Utilities—Washington Water Power Division (Idaho). The identified scope of inquiry pertains to the following generation resources: Rathdrum, Kettle Falls and Centralia—specifically exploring the manner (actual or dispatchable and the timing of the adjustment) in which Rathdrum (which is now included in the Company’s normalized base power supply costs—reference Order No. 28097, Case No. WWP-E-98-11) should be included as a resource in the PCA methodology; and whether given alleged fuel supply limitations, Kettle Falls and Centralia should continue to be included as dispatchable resources in the PCA methodology.

On June 13, 2000, the Idaho Public Utilities Commission (Commission) in Order No. 28409 initiated Case No. AVU-E-00-6 to examine proposed changes and adjustments to the PCA methodology of Avista Corporation dba Avista Utilities. The public and interested parties were apprised of the opportunity to formally intervene (IDAPA 31.01.01.072-073) or submit written comments. Also provided was the opportunity for formal discovery (IDAPA 31.01.01.221-234). By Order No. 28453, Avista and Commission Staff were directed to file initial statements of position by August 4, 2000. On October 30, 2000, Avista filed an

Agreement reflecting changes to its initial position. The filed statements and Agreement can be summarized as follows:

Avista

Avista in its initial statement of position proposed the following modifications to the PCA:

1. The Rathdrum Turbine would be included in the PCA based on “actual” generation and “actual” fuel costs on a prospective basis beginning September 1, 2000.
2. There would be no adjustments to the PCA balancing account related to the Rathdrum turbine, Centralia or Kettle Falls for the period prior to September 1, 2000.
3. Centralia would be included in the PCA based on “authorized” generation and “authorized” fuel costs.
4. Colstrip and Kettle Falls would be included in the PCA to track 90% of the difference between “actual” and “authorized” generation and fuel costs beginning September 1, 2000.
5. The trigger for the PCA balancing account would be increased from \$2.2 million to \$3.0 million effective September 1, 2000.

Should the Company and Staff have differences regarding proposed PCA modifications, the Company noted its intention to continue discussions with Staff to attempt to resolve any differences.

Staff

Staff in its initial statement of position states that changes need to be made to the PCA on a going-forward basis to make the PCA more representative of actual Company operations. Staff proposes the following modifications to the PCA:

1. Include the Rathdrum generating station at actual generation and actual fuel costs.
2. Centralia should no longer be dispatched in the PCA model but should be included at normalized levels.
3. The PCA trigger should be reset to \$3 million, which is approximately 2.5% of today’s Idaho jurisdictional revenue requirement.

Staff's initial position is that there should be no change in the PCA operation of Kettle Falls or Colstrip generating stations.

Agreement

Based on discussions following the filing of its initial statement of position, the Company on October 30, 2000, filed an Agreement reflecting changes to its initial position recommendations. As reflected in the Agreement, the Company has adopted the changes recommended by Staff. Avista now recommends the following changes to its PCA:

1. Prospective inclusion of Rathdrum turbine in the PCA.

The Rathdrum turbine shall be included in the PCA based on "actual" generation and "actual" fuel costs beginning November 1, 2000. The first PCA entry to reflect this change will occur in the December 2000 PCA Journal, which will be based on actual information for November 2000. There will be no adjustments to historical PCA entries related to the Rathdrum turbine.

2. Centralia

The Centralia steam generating plant shall be included as a PCA resource based on fixed levels of "authorized" generation and "authorized" fuel costs established in the Company's last general rate case, as has been reflected in the PCA beginning in May 2000 when the plant was sold.

3. Colstrip and Kettle Falls

No modification shall be made to the PCA for Colstrip and Kettle Falls at the present time. These two plants are included in the PCA based on economic dispatch using the incremental operating cost established in the last rate case (authorized incremental operating cost) and the actual short-term market price. If the authorized incremental operating cost is less than the PCA market price, then the units are run in the PCA at the equivalent availability factor established for the plants in the last rate case. Any change in fuel costs is established using the authorized unit price per ton for fuel established in the last rate case.

4. Balance Account Trigger

The trigger amount for rebates and surcharges shall be increased from \$2.2 million to \$3.0 million effective with PCA journal entries beginning in December 2000. The trigger

amount was intended to be about 2.5% of revenues. Based on current revenues of roughly \$119 million, a 2.5% trigger should be \$3.0 million.

The Company and Staff being in agreement, it is jointly recommended that the PCA be so modified.

COMMISSION FINDINGS

The Commission has reviewed the filings of record, initial statements of position and subsequent Company agreement in AVU-E-00-06. We find it reasonable to solicit public comment on the proposed changes to Avista's PCA methodology.

YOU ARE HEREBY NOTIFIED that the Commission after reviewing the filings of record in Case No. AVU-E-00-06 has preliminarily determined that the public interest may not require a hearing to consider the issues presented, and that the proposed changes to Avista's Power Cost Adjustment Methodology may be processed under **Modified Procedure**, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the Commission will not hold a hearing in this proceeding unless it receives written protests or comments opposing the use of Modified Procedure and stating why Modified Procedure should not be used. Reference IDAPA 31.01.01.203.

YOU ARE FURTHER NOTIFIED that **the deadline for filing written comments or protests** with respect to the proposed changes to Avista's PCA methodology and the use of Modified Procedure in Case No. AVU-E-00-06 is **Wednesday, December 27, 2000**. Persons desiring a hearing must specifically request a hearing in their written protests or comments.

YOU ARE FURTHER NOTIFIED that if no protests or comments are received within the deadline, the Commission may consider the matter and issue its Order without a hearing. If comments or protests are filed within the deadline, the Commission will consider them and may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. Reference IDAPA 31.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning this docket must be mailed to the Idaho Public Utilities Commission and Avista Corporation dba Avista Utilities—Washington Water Power Division (Idaho) at the following addresses:

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
Street Address for Express Mail:
472 W WASHINGTON ST
BOISE, ID 83702-5983

BILL JOHNSON
KELLY NORWOOD
AVISTA CORPORATION
1411 E MISSION
PO BOX 3727
SPOKANE, WA 99220-3727

All comments filed should contain the case caption and case number shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that the filings of record in Case No. AVU-E-00-06 can be reviewed at the Commission's office and at the Idaho offices of Avista Corporation during regular business hours.

ORDER

In consideration of the foregoing and as more particularly described above in our findings, IT IS HEREBY ORDERED and the Commission does hereby adopt the foregoing procedure and scheduling in Case No. AVU-E-00-06.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this
day of December 2000.

DENNIS S. HANSEN, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

PAUL KJELLANDER, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

vld/O:AVU-E-00-06_sw3